

these regulations, the guarantee will be issued.

(f) *Cancellation of obligations.* If the conditions for the loan or line of credit are rejected or cannot be met after completion of any appeal, FmHA or its successor agency under Public Law 103-354 will prepare and submit to the Finance Office, Form FmHA or its successor agency under Public Law 103-354 1940-10, "Cancellation of U.S. Treasury Check and/or Obligation."

(g) *Payment of guarantee fee.* The lender will prepare and deliver a Form FmHA or its successor agency under Public Law 103-354 1980-19, "Guaranteed Loan Closing Report," for each loan or line of credit to be guaranteed and deliver the guarantee fee to the FmHA or its successor agency under Public Law 103-354 representative who concurrently delivers the Loan Note Guarantee(s) or Contract of Guarantee.

(h) *Authorized FmHA or its successor agency under Public Law 103-354 representatives to execute forms.* State Directors, District Directors, State Program Loan Chiefs, and County Supervisors are authorized to execute the Lender's Agreement (Form FmHA or its successor agency under Public Law 103-354 449-35 or Form FmHA or its successor agency under Public Law 103-354 1980-38), the Loan Note Guarantee, the Contract of Guarantee, and/or the Assignment Guarantee Agreement.

[48 FR 30947, July 6, 1983, as amended at 50 FR 39885, Sept. 30, 1985; 51 FR 6710, Feb. 25, 1986; 51 FR 29905, Aug. 21, 1986; 52 FR 6500, Mar. 4, 1987; 58 FR 34308, June 24, 1993; 61 FR 67633, Dec. 23, 1996]

#### **§ 1980.62 Lender's sale or assignment of guaranteed portion of loan.**

Any sale or assignment by the lender of the guaranteed portion of the loan must be accomplished in accordance with the conditions in paragraph III of Form FmHA or its successor agency under Public Law 103-354 449-35 or § 1980.119 of subpart B of this part. Only guaranteed portions of loans not in payment default as set forth in the terms of the debt instruments may be sold. Should the lender know at the time the loan application is being prepared that it plans to sell or assign any part of the guaranteed portion of the loan as provided in Form FmHA or its

successor agency under Public Law 103-354 449-35 or § 1980.119 of subpart B of this part, the lender will provide this information with the application of FmHA or its successor agency under Public Law 103-354. Line of Credit agreements evidencing advances made under lines of credit will not be sold or assigned except as provided in paragraph I.C.4. of Form FmHA or its successor agency under Public Law 103-354 1980-38 and § 1980.119 of subpart B of this part.

[58 FR 34308, June 24, 1993]

#### **§ 1980.63 Defaults by borrower.**

(a) Refer to paragraph X of Form FmHA or its successor agency under Public Law 103-354 449-35 or I.D.6. of Form FmHA or its successor agency under Public Law 103-354 1980-38.

(b) FmHA or its successor agency under Public Law 103-354 may be required to purchase the guaranteed portion of a loan(s) from holder(s) in the event of default or servicing problems. The County Supervisor will coordinate any requests from holder(s) located in close proximity to the local lender. If several holders are located outside the area, the State Director will handle the transaction and notify the County Supervisor. The County Supervisor will prepare a Form FmHA or its successor agency under Public Law 103-354 1980-37, "FmHA or its successor agency under Public Law 103-354 Purchase of a Guaranteed Loan Portion," for each holder(s) and follow the instructions on the reverse of the form.

[52 FR 6501, Mar. 4, 1987, as amended at 58 FR 34308, June 24, 1993; 61 FR 67633, Dec. 23, 1996]

#### **§ 1980.64 Liquidation.**

(a) *Reference.* Refer to paragraph XI of Form FmHA or its successor agency under Public Law 103-354 449-35 or paragraph I.D.6. of Form FmHA or its successor agency under Public Law 103-354 1980-38.

(b) *Lender's option.* If a lender has made a loan or line of credit guaranteed by FmHA or its successor agency under Public Law 103-354 under previous regulations and the lender concludes that liquidation of the guaranteed loan or line of credit is necessary because of one or more defaults or

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third party actions that the borrower cannot or will not cure, the lender has the option of liquidate the loan under the provisions of this subpart, or under the provisions of previous regulations. The lender will notify the State Director in writing within 10 days after its decision to liquidate if it desires to proceed under this subpart.

(c) *Settlement option.* If a lender acquires title to property either through voluntary conveyance or foreclosure proceeding, FmHA or its successor agency under Public Law 103-354 may elect to permit the lender the option to calculate the final loss settlement using the net proceeds received at the time of ultimate disposition of such property. The lender must submit its written request for this option to FmHA or its successor agency under Public Law 103-354, and FmHA or its successor agency under Public Law 103-354 must agree, prior to the lender submitting any request for estimated loss payment.

[48 FR 30947, July 6, 1983, as amended at 50 FR 39886, Sept. 30, 1985; 58 FR 34308, June 24, 1993]

## § 1980.65 Protection advances.

Refer to paragraph XII of Form FmHA or its successor agency under Public Law 103-354 449-35, or for Farmer Programs Loans, §1980.136 of subpart B of this part.

[58 FR 34308, June 24, 1993]

## § 1980.66 Additional loans or advances.

Refer to paragraph XIII of Form FmHA or its successor agency under Public Law 103-354 449-35, or paragraph I.D.6.(b) of Form FmHA or its successor agency under Public Law 103-354 1980-38.

[58 FR 34308, June 24, 1993]

## § 1980.67 Bankruptcy.

(a) *Reference.* Refer to subparts B, C, or F of this part. Form FmHA or its successor agency under Public Law 103-354 449-30, "Loan Note Guarantee Report of Loss," will be used for calculations of all estimated and final loss determinations. Payments will be made in accordance with applicable FmHA or its successor agency under Public Law 103-354 regulations.

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(b) *Lender's option.* If a lender has made a loan or line of credit guaranteed by FmHA or its successor agency under Public Law 103-354 under previous regulations, and the borrower has filed for protection under a reorganization bankruptcy, the lender has the option of requesting an estimated loss payment under the provisions of this part.

[54 FR 1549, Jan. 13, 1989, as amended at 61 FR 67633, Dec. 23, 1996]

## § 1980.68 Lender's request to terminate Loan Note Guarantee or Contract of Guarantee.

If the Loan Note Guarantee has not automatically terminated the lender may request FmHA or its successor agency under Public Law 103-354 to terminate the Loan Note Guarantee(s) or Contract(s) of Guarantee, for any reason, provided the lender holds all the guaranteed portions of the loan. (See paragraph 12 of Form FmHA or its successor agency under Public Law 103-354 449-34, or paragraph 6 of Form FmHA or its successor agency under Public Law 103-354 1980-27.) The lender will provide the County Supervisor with a written notice that the loan(s) or line(s) of credit is (or are) paid in full and/or termination of the Loan Note Guarantee(s) or Contract(s) of Guarantee, enclosing the original Form(s) FmHA or its successor agency under Public Law 103-354 449-34 or Form FmHA or its successor agency under Public Law 103-354 1980-27 for cancellation. Within 30 days, the County Supervisor will forward a memorandum to the Finance Office through the State Director. The memorandum will indicate that: "the loan(s) or line(s) of credit is (or are) paid in full," and/or "the Loan Note Guarantee or Contract of Guarantee has been cancelled at the request of the lender."

[53 FR 26413, July 12, 1988. Redesignated at 54 FR 1549, Jan. 13, 1989, as amended at 61 FR 67633, Dec. 23, 1996]

## §§ 1980.69—1980.79 [Reserved]

## § 1980.80 Appeals.

Only the borrower, lender and/or holder can appeal an FmHA or its successor agency under Public Law 103-354 decision. The borrower must jointly